

Alberta Darling
Wisconsin State Senator
Member, Joint Committee on Finance

TESTIMONY ON SPECIAL SESSION SENATE BILL 2

SENATE COMMITTEE ON HEALTH
ASSEMBLY COMMITTEE ON HEALTH
JANUARY 11, 2011

THANK YOU CHAIR VUKMIR AND CHAIR STONE FOR GIVING ME THE OPPORTUNITY TO TESTIFY IN FAVOR OF SPECIAL SESSION SENATE BILL 2, WHICH PROVIDES A NONREFUNDABLE STATE TAX CREDIT FOR CONTRIBUTIONS TO HEALTH SAVINGS ACCOUNTS (HSA'S).

HEALTH SAVINGS ACCOUNTS HAVE BEEN AVAILABLE SINCE JANUARY 2004. PARTICIPANTS PLACE CONTRIBUTIONS INTO THE ACCOUNT, WHICH ALLOWS THEM TO SAVE MONEY BY PURCHASING LESS COSTLY, HIGH-DEDUCTIBLE POLICIES FOR CATASTROPHIC COVERAGE. ACCOUNT HOLDERS MAY MAKE A FEDERALLY TAX DEDUCTIBLE CONTRIBUTION OF UP TO \$3,050 PER YEAR INTO THE HEALTH SAVINGS ACCOUNT FOR AN INDIVIDUAL ACCOUNT OR \$6,150 PER YEAR FOR A FAMILY ACCOUNT. INDIVIDUALS CAN DEDUCT MONEY FROM THE ACCOUNT, TAX FREE, TO PAY FOR QUALIFIED MEDICAL EXPENSES.

Capitol Office:

P.O. Box 7882
Madison, Wisconsin 53707-7882
Phone: 608-266-5830
Fax: 608-267-0588

Toll-free: 1-800-863-1113
Email: sen.darling@legis.wisconsin.gov
Web page: www.legis.wisconsin.gov/senate/sen08/news/

District Office:

N88 W16621 Appleton Avenue, Suite 200
Menomonee Falls, Wisconsin 53051
Phone: 262-250-9440
Fax: 262-250-8510

HSA'S ARE A VITAL TOOL FOR SMALL BUSINESSES AS THEY SEEK TO CONTROL THE COST OF THEIR HEALTH INSURANCE. THEY ALLOW INDIVIDUALS AND FAMILIES TO PURCHASE INSURANCE THAT FITS THEIR OWN NEEDS AND THEIR OWN BUDGET.

AN ADDITIONAL BENEFIT OF HEALTH SAVINGS ACCOUNTS IS THAT, BY PUTTING MORE CONTROL OF HEALTHCARE DECISION MAKING IN THE HANDS OF THE PATIENTS, HEALTHCARE CONSUMERS WILL BECOME MORE JUDICIOUS AND PRICE CONCIOUS, WHICH ENCOURAGES EFFICIENT USE OF HEALTHCARE SERVICES AND INCREASES THE EFFICIENCY OF THE ENTIRE HEALTHCARE INDUSTRY.

THERE ARE CURRENTLY MORE THAN 10 MILLION PEOPLE ENROLLED IN HSA'S IN THE UNITED STATES. OUR NEIGHBORS IN ILLINOIS AND MINNESOTA LEAD THE WAY, AS TWO OF THE TOP SIX STATES FOR HSA ENROLLMENT. IN 2005, THE STATE OF INDIANA BEGAN OFFERING HSA'S TO ITS EMPLOYEES. WHILE INITIAL ENROLLMENT WAS ONLY AT FOUR PERCENT, OVER SEVENTY PERCENT OF INDIANA STATE EMPLOYEES NOW PARTICIPATE IN THE HSA PROGRAM. AS A RESULT, INDIANA SAVED \$20 MILLION IN 2010 AND SAW THAT ITS TOTAL STATE OPERATIONAL COSTS WERE REDUCDED BY ELEVEN PERCENT, SOLEY DUE TO THE HSA OPTION.

YET, DESPITE THE SUCCESS OF HSA'S IN THE UPPER MIDWEST, WISCONSIN LAGS BEHIND. THIS IS DUE TO THE FACT THAT WISCONSIN IS ONE OF FIVE STATES THAT STILL TAXES CONTRIBUTIONS TO HSA'S. SENATE BILL 2 WILL RECTIFY THIS SITUATION BY CREATING A TAX CREDIT.

CRITICS OF HEALTH SAVINGS ACCOUNTS CLAIM THAT THEY ONLY BENEFIT WEALTHY, HEALTHY AND YOUNG INDIVIDUALS. THIS IS NOT, HOWEVER, BORNE OUT BY THE FACTS.

ACCORDING TO DATA COMPILED BY ASSURANT HEALTH, E-HEALTH INSURANCE, AND AMERICA'S HEALTH INSURANCE PLANS CENTER FOR POLICY AND RESEARCH:

- NEARLY HALF OF HSA PURCHASERS HAVE FAMILY INCOMES OF LESS THAN \$50,000
- TWENTY-SEVEN PERCENT OF HSA PURCHASERS HAVE A NET WORTH OF LESS THAN \$25,000
- EIGHTY-THREE PERCENT OF THOSE PURCHASING HSA'S LIVE IN LOWER OR MIDDLE-CLASS INCOME NEIGHBORHOODS, WITH A MEDIAN HOUSEHOLD INCOME LESS THAN \$75,000
- FORTY-THREE PERCENT OF THOSE PURCHASING HSA'S WERE PREVIOUSLY UNINSURED
- MORE THAN FIFTY-TWO PERCENT OF HSA PURCHASERS ARE OVER AGE 40

HSA'S PROVIDE REAL BENEFITS TO REAL PEOPLE AND THOSE PEOPLE ARE SATISFIED WITH THE RESULTS. A SURVEY BY THE BLUE CROSS AND BLUE SHIELD ASSOCIATION FOUND THAT SIXTY-EIGHT PERCENT OF HSA ENROLLEES WERE SATISFIED WITH THEIR PLAN. THE SAME SURVEY FOUND THAT PARTICIPANTS IN AN HSA ARE MORE THAN TWICE AS LIKELY AS PEOPLE ENROLLED IN TRADITIONAL PLANS TO FEEL THAT THEY ARE IN CHARGE OF THEIR HEALTHCARE.

WHILE HEALTH SAVINGS ACCOUNTS WILL NOT SINGLEHANDEDLY SOLVE THE PROBLEM OF MAKING HEALTHCARE MORE AFFORDABLE, THEY ARE AN IMPORTANT PIECE OF THE PUZZLE. THEY ARE A FREE MARKET TOOL THAT EMPOWERS PEOPLE AND HELPS SMALL BUSINESSES CONTROL SPIRALING HEALTHCARE COSTS. PASSING SENATE BILL 2 WILL HELP PROVIDE MORE AFFORDABLE HEALTHCARE COVERAGE FOR WISCONSIN'S WORKING FAMILIES.

THANK YOU AGAIN FOR ALLOWING ME TO TESTIFY IN FAVOR OF THIS IMPORTANT PIECE OF LEGISLATION AND I WELCOME ANY QUESTIONS YOU MAY HAVE.



BOB ZIEGELBAUER

STATE REPRESENTATIVE • TWENTY FIFTH ASSEMBLY DISTRICT

**Senate Committee on Health
Senator Leah Vukmir, Chair**

**Assembly Committee on Health
Representative Jeff Stone, Chair**

**Tuesday, January 11, 2011, 1:30 p.m., 225 Northwest
Support for January Special Session Senate Bill 2**

Chairwoman Vukmir, Chairman Stone and Committee Members:

Thank you for scheduling a hearing on January SS SB 2 and for your consideration of it. I have been a supporter and co-sponsor of this legislation for many years.

Health Savings Accounts are an important option that empowers individuals to take responsibility for health care dollars spent on their behalf. HSA's won't be used by everyone, but will be valuable to many in our State.

There is an illusion promoted by opponents that Health Savings Accounts primarily benefit the wealthy. That is just not true. In the real world, the person who will benefit most often is an employee of a small or medium sized emerging business, which has implemented an HSA program in order to preserve or extend important health care benefits for its employees.

The lack of federalized treatment of Health Savings Accounts in Wisconsin tax law hurts the "little guy" – the employee who suddenly discovers he has to pay Wisconsin tax on his employer's contribution to his HSA account, or employees of small and emerging businesses throughout the state struggling to provide important health care benefits for their valuable employees.

HSA based health insurance plans are an important positive development in the effort to contain health care costs. In Manitowoc County, where I am also the County Executive, we have had great success in containing the growing costs of health insurance through the use of HSA's for our County employees for the past 4 years. I would like to see our employees receive this important tax break. As we remove this unnecessary barrier to use this consumer based approach to health care, I hope other units of local government in Wisconsin will be encouraged to follow our lead. Both taxpayers and employees stand to share in the benefit.

Penalizing Wisconsin employees by taxing them on employer contributions to their health care is foolish and short sighted. The current uneven tax treatment of HSA's acts as a real barrier to greater use of HSA based plans because it requires dual bookkeeping and an extra tax burden.

This is a good bill, an important bill, for the working people of Wisconsin. Thank you again for your consideration.

STATE CAPITOL: P.O. BOX 8953, MADISON, WI 53708-8953 • (608) 266-0315 • TOLL FREE: 1-888-529-0025

FAX: (608) 282-3625 • HOME PAGE: www.bobziegelbauer.com • E-MAIL: rep.ziegelbauer@legis.wisconsin.gov

DISTRICT: 1213 S. 8TH STREET, P.O. BOX 325, MANITOWOC, WI 54221-0325

MANITOWOC COUNTY EXECUTIVE OFFICE: (920) 683-5107 • HOME: (920) 684-6783



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

Testimony on Special Session AB 2/SB 2 Dan Schwartz, Deputy Commissioner of Insurance Before Senate and Assembly Health Committees January 11, 2011

Thank you, Senator Vukmir, Representative Stone, and members of the Senate and Assembly Health Committees, for the opportunity to testify on Special Session Assembly Bill 2 and Senate Bill 2, creating a non-refundable individual income tax credit for amounts claimed as deductions for contributions to health savings accounts (HSAs) and for earnings associated with those accounts.

Health savings accounts are a part of a consumer oriented approach to health insurance and health care spending. The purpose of SB 1/AB 1 is to extend the tax advantage status for Wisconsin consumers that exist for HSAs in virtually every other state. I feel it is important to note that the concept of consumer driven health care compliments OCI's mission of informing the public regarding their insurance needs. Consumer directed health plans give consumers an incentive to take a greater interest in health care costs and encourage consumers to find the best value for their health care purchasing decisions. Consumer-directed health care, has gained significant attention since 2003 when HSAs were signed into law by President Bush as part of the Medicare Modernization Act. Last week, Sheboygan based HSA Bank announced it had surpassed \$1 billion in Health Savings Account (HSA) deposits and America's Health Insurance Plans has announced that enrollment in HDHPs rose 25% from 2009 to 2010 to 10 million covered lives.

Under federal law, HSAs are savings accounts where consumers can accumulate pre-tax dollars in a savings account which can be used to pay qualified medical expenses. Under federal law, and in most states, contributions are deductible and any earnings on these accounts are not taxed as income.

In order to qualify as a federally tax-exempt HSA, account holders must be enrolled in a high deductible health plan (HDHP) either individually, or through their employer. The HDHPs must meet minimum deductible levels and have limits on the amount of out-of-pocket costs that can be incurred. Employers and consumers are able to take advantage of the lower premiums afforded by high deductible health plans and become smarter purchasers of health care services. Qualified HDHPs are permitted to, and many do, provide first dollar coverage for preventative services.

HDHPs are insurance products that must conform to Wisconsin's insurance laws and regulations. This applies to products sold in the individual and group market. HDHP policyholders are afforded the same protections that are applicable to all other insurance products sold in Wisconsin.

Wisconsin is one of just four states that do not extend federal tax treatment of HSAs to state income taxes along with Alabama, California, and New Jersey. The dissimilar tax treatment of HSAs between the federal and state tax codes costs consumers because the differences make income tax filing more complex requiring the use of tax preparers. This treatment prevents Wisconsin consumers and employers from applying the tax savings to lower their health care costs.

Thank you for the opportunity to speak to this joint hearing.



Date: January 11, 2011

To: Assembly Committee on Health and Senate Committee on Health

From: Robert Komula, Vice President of Finance Humana

Re: SS SB Bill 2/ SS AB 2- HSA Tax Exemption

My name is Robert Komula and I am Vice President of Finance for Humana in Wisconsin. I would like to thank the bill authors Senator Darling and Representative Kaufert, and Governor Walker for their efforts on SS SB 2 and SS AB 2. Humana supports this legislation, which provides a tax exemption for Health Savings Accounts (HSAs). I'm here today representing Humana not as an insurer but as an employer with over 3,500 Wisconsin employees. Humana is Brown County's largest employer with additional offices in Middleton and Waukesha.

Currently individuals may receive a credit for one hundred percent of contributions to their HSAs on their federal income tax filing, but do not receive a state income tax credit for any amount contributed to their HSA. Wisconsin is out of the mainstream: forty six other states have adopted conformity with the federal income tax treatment of HSAs.

The legislation before the committee today will bring much needed relief to hardworking Wisconsin families by ending the tax on their medical services paid for with an HSA. As it stands today, HSAs are the only health care payment method taxed by the state. The current tax law discriminates against employees who choose HSAs because it treats these funds differently than premiums, although both pay for health care costs

Wisconsin residents who use HSAs to pay for medical expenses pay state income tax on their contributions, earned interest, and their employer's contribution. Employees who receive contributions towards their high deductible health plans (HDHP) from their employer are penalized. The funds they pay into an HSA get taxed as wages. These HSA funds can only be used for medical expenses, yet are considered taxable income by the state. Humana employees paid an average of \$98 in taxes on their HSAs to the state in 2008.

Bringing Wisconsin in line with federal law and allowing a tax deduction for individuals who participate in HSAs will allow all Wisconsinites fair treatment under our tax laws. It will also make doing business in Wisconsin easier for national companies and keep good jobs in our state.

I would like to thank the committees for recognizing this important change that will positively impact Wisconsin workers and businesses. We appreciate the opportunity to speak on this important legislation.

Robert Komula
Vice President of Finance
Humana Health Plans of Wisconsin



Date: January 11, 2011

To: Assembly Committee on Health and Senate Committee on Health

From: Dawn Grazioso, Humana

Re: SS SB 2/ SS AB 2 - HSA Tax Exemption

My name is Dawn Grazioso, and I work for Humana in the call center in their Middleton office. I would like to thank Senator Darling, Representative Kaufert and Governor Walker for introducing this legislation. Thank you for the opportunity to share my story.

I have worked at Humana for over six years, and have taken the HSA eligible plan since it's been available. The HSA makes a big difference for me and my family. I contribute at least \$200 to my HSA to get the full employer match of \$1000. That is important to me, because I am a single mom raising a 12 year old daughter. With my HSA I am able to put aside money to cover our medical costs. Every year my daughter and I get our annual checkups. All preventive care services are covered at no cost to me, even if we haven't met the plan deductible.

Humana, as my employer, puts money in my HSA. Wisconsin treats this as taxable income. This money is not wages- it can only be used for medical costs, and I don't earn it by working overtime. I feel like I am being punished by the tax on my HSA, since it is the only element of healthcare taxed by the state. Treating HSAs like all other health benefits and federal law will make our tax code fairer for Wisconsinites who choose HSAs.

Thank you for the opportunity to submit my testimony. And I would like to thank the committees for working on fairer tax treatment of HSAs. I encourage you to support this legislation and hope you will take action to give Wisconsin workers a break on paying taxes on their medical care.

Dawn Grazioso
Client Specialist
Humana



State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK ROAD • Mail Stop 624A • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX (608) 266-5718
<http://www.revenue.wi.gov>

Scott Walker
Governor

Richard G. Chandler
Secretary of Revenue

Credit for Health Savings Accounts SS SB 2 and SS AB 2 January 11, 2011

Goal: Provide Wisconsin business and individuals with equitable tax treatment among health insurance options.

Proposal: Provide a 6.5% income tax credit for health savings accounts.

Points to Consider:

- Health Savings Accounts are an increasing popular alternative in funding medical care. They provide affordable health coverage by pairing a high deductible insurance policy with a health savings account.
- These accounts are increasingly popular nationally and in Wisconsin. Their use has more than doubled over the past two years. Nationally, over 10 million people are now covered by HSAs.
- Data from federal tax returns filed from the state show that Wisconsin taxpayers increased their HSA deductions from \$43 million in 2006 to \$91 million in 2008.
- Wisconsin is one of only four states that do not follow federal law in allowing the deduction for health savings accounts.
- Wisconsin's inconsistent tax treatment of Health Savings Accounts puts its citizens at a competitive disadvantage relative to all other states.
- To remove that disadvantage, SS SB2 and SS AB 2 provides a credit of 6.5% for Health Savings Account contributions.



Wisconsin Medical Society

Your Doctor. Your Health.

TO: Senate Committee on Health
Sen. Leah Vukmir, Chair

Assembly Committee on Health
Rep. Jeff Stone, Chair

FROM: Mark Grapentine, JD
Senior Vice President – Government Relations

DATE: January 11, 2011

RE: **Support** for January 2011 Special Session SB 2/AB 2

On behalf of more than 12,000 members statewide, the Wisconsin Medical Society offers its support for January 2011 Special Session Senate Bill 2/Assembly Bill 2. We have supported such legislation in previous sessions of the State Legislature and are pleased to do so again.

The Society has pertinent policy in this area:

HSR-002

Medical Savings Accounts: The Wisconsin Medical Society (Society) continues to support tax-advantaged health care spending accounts in support for a pluralistic system of health care financing designed to preserve consumer choice. The Society continues to support taxadvantaged status for proposals designed to promote segregated savings accounts to be used for health care costs. (HOD, 0408)

HSR-005

Universal Coverage: The Wisconsin Medical Society recognizes the essential principle of universal coverage in health system reform. This needs to be achieved through any or all of the following: employer participation; individual participation; government participation, excluding a single payer system; the use of tax credits; the use of medical savings accounts and the use of catastrophic insurance. (HOD, 0406)

While altering tax treatment for Health Savings Accounts is not the sole solution for increasing health care coverage or bending health care's cost curve, doing so will remove economic disincentives for those choosing to use a Health Savings Account as part of their health care coverage. Society policy speaks to the array of possible coverage options and the need to maximize the attractiveness of each option.

Thank you again for this opportunity to share our support for January 2011 Special Session Assembly Bill 2/Senate Bill 2. If you have questions about this or any other healthcare-related issue, please do not hesitate to get in touch with the Society.



TO: All Legislators

FROM: Joe Murray, Director of Political and Government Affairs

DATE: January 11, 2011

RE: Health Savings Accounts

The Wisconsin REALTORS® Association (WRA) strongly supports Governor Walker's proposal to provide a nonrefundable state income tax credit for contributions to, and earnings from, personal health savings accounts. While certainly not a cure for today's health care crisis, this legislation will help offset some of the costs Wisconsin families face every day, particularly families of independent contractors and businesses.

Independent contractors are not employees

Like many small businesses, Realtors are having an increasingly difficult time finding and affording health care. However, unlike some small businesses, the problem for Realtors is far more acute because as independent contractors, Realtors have no employer-employee relationship and thus have no access to traditional employer-provided health care and insurance benefits. As a result, independent contractors, like Realtors, must acquire health insurance purely as individuals without the benefit of employer contributions or employee pools. Often times, sadly, they simply do without.

Substantial benefits

This legislation provides a nonrefundable credit against the state's individual income tax of 6.5% of the allowable federal deduction for HSAs. For working families, this will total over \$300 per year. Under federal law, individuals covered by high deductible health insurance plans can make pre-tax contributions to the account to cover health care expenditures. Interest earnings on the account are tax-free and expenditures from the HAS are not subject to taxes if used to pay for qualified medical expenses. Finally, because the accounts follow an individual and not an employer or company, this legislation particularly helps highly mobile self-employed workers.

Opponents miss the point

Opponents of this legislation, like public and private employee unions, either don't understand the nature of independent contractors or don't care about this class of workers. Their fear that employers will reduce health benefits under this

legislation is simply not applicable to independent contractors because there is no employer-employee relationship to jeopardize. It's time opponents end the health care discrimination they endorse against independent contractors and their families. Realtors, independent contractors and other small business workers need and deserve health care assistance every bit as much as the assistance unionized workers and their families currently enjoy.

Conclusion

Workers and their families who do not, and will not, have access to employer-based health care benefits need and deserve this legislation. While it may not solve all the health care and insurance problems we face as a state or a nation, this legislation will provide a measure of assistance to independent contractors and small businesses in Wisconsin. We encourage your support.



**Private Health Savings Accounts: Don't Create Jobs, Hike Deficit
Testimony from Scot Ross, One Wisconsin Now Executive Director
January 11, 2011**

Committee members, thank you for the opportunity to speak before you regarding the legislation to provide a tax break for private health savings accounts. My name is Scot Ross and I am the executive director of One Wisconsin Now, a statewide non-partisan progressive advocacy organization.

Committee member, plan before you to give a tax break to high deductible private health savings accounts would increase the deficit \$48 million in the next two years, create no jobs and would not increase access to health care.

With the state facing a \$3.3 billion budget deficit and in need of family-supporting jobs, we at One Wisconsin Now believe the people of Wisconsin deserve a straight answer to two simple questions. What are the jobs this tax break for the wealthy will create, and how will you pay for the two-year \$48 million cost of this proposal?

The non-partisan Wisconsin Legislative Fiscal Bureau has put the cost of the Republican health savings account tax plan at \$48 million over the biennium. [Legislative Fiscal Bureau, 1/10/11]

No available research shows that tax breaks for private health savings accounts have created private sector jobs.

Critics have long argued that costly tax breaks for HSAs are little more than a way for the wealthiest to further shelter their assets, while providing little benefit to those unable to save money in advance for future health care costs.

Health care costs are the number one reason why Americans declare bankruptcy. Private health savings accounts are particularly exclusionary for young adults, many of whom are saddled with student loan debt and unable to commit additional savings to a private health savings account.

A study from the federal Governmental Accountability Office showed the following about the skewed benefits of HSAs:

- The average adjusted gross income of HSA participants was \$139,000.
- Nearly half of HSA participants reported withdrawing nothing from their HSA, evidence that it is serving as a tax shelter for wealthy participants.
- The highest income participants in HSAs had a much higher contribution to their HSA, proving that it is a benefit in which the wealthier derive more of a benefit than middle class earners.

[Government Accountability Office, 4/1/08; Center on Budget and Policy Priorities, 5/19/08]

Cullen Werwie, spokesperson for Gov. Scott Walker was asked by the media about whether the current HSA tax structure was inhibiting business from providing the plans:

However, neither Werwie nor others involved with the issue said they were aware of any business that was holding off on high deductible plans because of the state tax issue.
[*Milwaukee Journal Sentinel*, 12/9/10]

The evidence is clear: a \$48 million tax break for health savings accounts will overwhelmingly benefit the wealthy, is not paid for and will not create jobs. Worse, this tax break for private health savings accounts will do nothing to reduce health care costs, nor improve access to those most needing care.

Thank you for your time and consideration.



**Testimony of the Wisconsin Bankers Association
Michael Semmann, Vice President - Government Relations
Jay Risch, Director – Legislative Affairs**

Senate Committee on Health & Assembly Committee on Health

January 11, 2011

Testimony in favor of Special Session SB 2 & AB 2

Chairs Vukmir, Stone and Members of the Committees on Health:

Thank you for the opportunity to testify on behalf of the Wisconsin Bankers Association in favor of Special Session SB 2 and AB 2. The Wisconsin Bankers Association is the state's largest financial industry trade association, representing 300 commercial banks and savings institutions, their nearly 2,300 branch offices and 28,000 employees.

Wisconsin bankers are pleased by these bills to grant a state income tax credit for contributions to health savings accounts (HSAs) used by consumers to pay medical expenses. These bills offer a tremendous opportunity for businesses and their employees to reduce spiraling employee health insurance costs and to help more individuals gain access to health insurance. Wisconsin is one of the last remaining states that has not made HSAs tax exempt at the state level.

According to the HSA Coalition, 3.2 million individuals are covered by HSA type insurance plans in the United States. Of that number, 31 percent were previously uninsured individuals buying health insurance on their own and 33 percent are small business that previously had not offered any coverage.

HSAs allow people to manage their own costs and make their own decisions. HSAs have an inherent ability to bring costs under control and Wisconsin bankers believe HSAs would be more attractive to Wisconsin residents if they were tax exempt. Special Session SB 2 and AB 2 will allow more Wisconsinites to take advantage of the opportunities offered by HSAs and will benefit consumers and business alike.

The Wisconsin Bankers Association (WBA) is the state's largest financial industry trade association, representing 300 commercial banks and savings institutions, their nearly 2,300 branch offices and 28,000 employees

4721 SOUTH BILTMORE LANE
MADISON, WI 53718

P. O. Box 8880
MADISON, WI 53708-8880

608-441-1200
FAX 608-661-9381

www.wisbank.com

Wisconsin Association of Health Plans

DATE: January 11, 2011

TO: Members, Senate Committee on Health and Assembly Committee on Health

RE: Support for Special Session SB 2 and AB 2 – Creating an Income Tax Credit for Contributions to Health Savings Accounts

The Wisconsin Association of Health Plans supports Special Session Senate Bill 2 and Assembly Bill 2 and commends Governor Scott Walker, Senator Alberta Darling and Representative Dean Kaufert for their efforts to advance health savings accounts (HSAs) as an important health care tool for families and businesses throughout Wisconsin.

In Wisconsin, 270,000 residents, or 6.5 percent of total private health insurance enrollees, are enrolled in HSA plans.

- Special Session SB 2 and AB 2 will allow individuals and families to save for future medical expenses, and allow those savings to grow, on a reduced tax basis.
- Businesses that offer HSA/high deductible health plans as a lower cost health care coverage option for their employees will also benefit by reducing the tax on HSA contributions.
- Providing consumers with more information and financial flexibility to effectively manage their health care services and dollars will help Wisconsin residents access the health care that best fits their needs.

Reducing health care costs and overutilization of health care services must be part of the effort to create jobs and grow businesses in Wisconsin. Special Session SB 2 and AB 2 will help advance that effort by empowering Wisconsin residents to become more invested in how their health care dollars are spent.

The Wisconsin Association of Health Plans appreciates the Committee's support for Special Session SB 2 and AB 2 and looks forward to working with Governor Walker and the Legislature to address the health care challenges that face our state in order to lower the cost of health care for families and businesses.

The Wisconsin Association of Health Plans represents 18 member health plans throughout Wisconsin that provide access to health care through commercial market insurance, the Medicaid Managed Care Program, the State Employee Health Plan, and administration of self-funded plans for businesses.

Member Health Plans: Abri Health Plan • Anthem Blue Cross and Blue Shield • Arise Health Plan • Children's Community Health Plan, Inc. • Dean Health Plan • Group Health Cooperative of Eau Claire • Group Health Cooperative of South Central Wisconsin • Gunderson Lutheran Health Plan • Health Tradition Health Plan • Humana, Inc. • Independent Care Health Plan • Managed Health Services • MercyCare Health Plans • Network Health Plan • Physicians Plus Insurance Corp. • Security Health Plan. • Trilogy Health Insurance • Unity Health Plans Insurance Corp.



TO: The Honorable Jeff Stone, Chair, Assembly Health Committee
The Honorable Leah Vukmir, Chair, Senate Health Committee
Members of the Senate and Assembly Health Committees

FR: Ted Osthelder, Government Relations Director
Anthem Blue Cross and Blue Shield

RE: Special Session SB 2 & AB 2 – Support

DA: January 11, 2011

On behalf of Anthem Blue Cross and Blue Shield, we support passage of Special Session SB 2 and AB 2, which would bring Wisconsin's tax code in line with federal law and allow an individual's contributions to Health Savings Accounts (HSA) to be tax deductible under state law.

Anthem Blue Cross and Blue Shield in Wisconsin provides employers and individuals a wide variety of health coverage options, including many HSA-compatible products. These popular health plans not only offer affordable options for coverage, but also empower greater consumerism when paired with Anthem's one-of-a-kind "Care Comparison" transparency tool.

Currently, Wisconsin law allows tax deductions of premiums for other health insurance plans and products, but taxes HSA contributions as income. The passage of this bill would be a positive step towards leveling the playing field for the tens of thousands of our members, and would address affordability by stretching the value of our member's health care dollars. It would also finally put an end to the tax penalty paid by Wisconsin-based employees of large companies that offer HSA-compatible products that is not paid by employees in almost every other state.

For these reasons, we support Special Session SB 2 and AB 2. Should you have any questions, please do not hesitate to contact me at 608-259-9038.

About Anthem Blue Cross and Blue Shield in Wisconsin

Blue Cross Blue Shield of Wisconsin ("BCBSWi") underwrites or administers the PPO and indemnity policies; Compcare Health Services Insurance Corporation ("Compcare") underwrites or administers the HMO policies; and Compcare and BCBSWi collectively underwrite or administer the POS policies. Independent licensees of the Blue Cross and Blue Shield Association. © ANTHEM is a registered trademark of Anthem Insurance Companies, Inc. The Blue Cross and Blue Shield names and symbols are registered marks of the Blue Cross and Blue Shield Association.